

Message Text

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ACTION NEA-09

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INFO AMEMBASSY ISLAMABAD

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C O N F I D E N T I A L SECTION 1 OF 2 DACCA 1020

E.O. 11652: GDS

TAGS: EFIN, EGEN, EAID, BG, PINT

SUBJECT: CONSTITUTIONAL CHANGE: ECONOMIC EXPECTATIONS

REF: (A) DACCA 0666; (B) DACCA 0457; (C) DACCA 0058; (D) STATE 35444

SUMMARY. THE CONSTITUTIONAL CHANGES AND THE FORMAL ASSUMPTION OF UNLIMITED POWER BY SHEIKH MUJIB WERE PUBLICLY JUSTIFIED IN ECONOMIC TERMS, ALBEIT VAGUELY SO, AND HAVE RAISED EXPECTATIONS OF PROMPT ECONOMIC POLICY DECISIONS AND DEVELOPMENT PROGRESS AMONG MANY BENGALIS. THE PROOF OF THIS PUDDING IS IN THE EATING AND IF MUJIB PROVES HE CAN LEAD HIS NATION TO HIGHER LIVING STANDARDS THROUGH SELF-SUSTAINING ECONOMIC GROWTH, WELL AND GOOD. IT IS TOO EARLY TO JUDGE THE OUTCOME YET, BUT ASSURED FOOD ARRIVALS THROUGH JUNE AND BEYOND GIVE HIM SIX MONTHS BREATHING SPACE. END SUMMARY.

1. ECONOMIC JUSTIFICATION OF CHANGE. THE STATED

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INTENTION TO DEAL VIGOROUSLY WITH ECONOMIC CRIMES WAS

CRITICAL TO THE PUBLIC JUSTIFICATION OF THE EMERGENCY POWERS WHICH THE BDG CONFERRED ON ITSELF JANUARY 3 (REFTEL (C)). IN A COMPARABLE MANNER, PRIME MINISTER MUJIB'S UNWRITTEN SPEECH TO PARLIAMENT AFTER PASSAGE OF THE CONSTITUTION (FOURTH AMENDMENT) BILL JANUARY 25 ALSO EMPHASIZED ECONOMIC FACTORS AS NECESSITATING THE CONSTITUTIONAL CHANGES: "THE STEP IS NECESSARY IN THE INTEREST OF THE EMANCIPATION OF THE MASSES, WHO ARE LIVING IN A MISERABLE STATE OF LIFE ..."; AND "I DO NOT WANT TO LEAD A NATION OF BEGGARS." MOST PAPERS REPORTED THAT THE SHEIKH STRESSED FOUR MAIN POINTS FOR "THE NATION AS A WHOLE": (1) SELF-SUFFICIENCY ACHIEVED BY INCREASED AGRICULTURAL AND INDUSTRIAL PRODUCTION; (2) POPULATION CONTROL AND MANPOWER PLANNING "WILL HAVE TO BE DONE IMMEDIATELY"; (3) TOTAL AND RELENTLESS STRUGGLE AGAINST CORRUPTION IN SOCIETY; AND (4) NATIONAL UNITY FOR THE EMANCIPATION OF THE PEOPLE.

2. EXPECTATIONS RAISED FURTHER. MOST EDITORIALS REPEATED THE ECONOMIC NECESSITY THEME, AND THE NEWLY REAPPOINTED MINISTERS OF GOVERNMENT HAVE ECHOED THIS ON NUMEROUS OCCASIONS, INCLUDING IN TALKS TO THEIR CIVIL SERVANTS. ONE EXAMPEL WAS THE AGRICULTURE MINISTER'S JANUARY 28 STATEMENT TO OFFICIALS OF HIS MINISTRY WHERE HE "DIRECTED THE OFFICERS TO DISPOSE OF THEIR RESPECTIVE WORK QUICKLY...FOR SPEEDY EXECUTION OF THE AGRICULTURAL DEVELOPMENT PROGRAMMES."

3. ACTIONS REQUIRED SOON. IT IS WIDELY RECOGNIZED THAT THE RESPONSIBILITY FOR BUILDING A RECORD OF ECONOMIC PROGRESS IS EXCLUSIVELY MUJIB'S. HOW MUCH TIME HE WILL HAVE TO BUILD SUCH A RECORD, BEFORE DISCONTENT MIGHT SERIOUSLY THREATEN HIS CONTINUATION IN OFFICE, NO ONE CAN SAY. THIS PROCESS OF JUDGMENT, HOWEVER, IS A CONTINUOUS ONE. WE HAVE ALREADY REPORTED THE GENERAL DISAPPOINTMENT OVER THE SELECTION OF THE NEW COUNCIL OF MINISTERS (DACCA 0489). OTHER ISSUES ON WHICH MUJIB WILL BE JUDGED INCLUDE FOOD, SELF-RELIANCE PROGRAMS, JUTE PRICING POLICY, ANTI-CORRUPTION MEASURES, GENERAL NEW DIRECTIONS TO ECONOMIC POLICY, AND ADMINISTRATION. CONFIDENTIAL

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4. FOOD. PERHAPS TY MOST IMPORTANT TEST WILL BE THE GOVERNMENT'S ABILITY TO PROVIDE ADEQUATE FOOD SUPPLIES, PARTICULARLY TO THE POLITICALLY VOLATILE URBAN DWELLERS. SO FAR THE BRIEF RECORD IS EXCELLENT, DUE TO FOREIGN ASSISTANCE, HOWEVER, NOT TO THE BDG'S OWN ECONOMIC PLANNING. SINCE JANUARY 25: (1) THE BDG HAS ARRANGED TO BUY 100,000 MT OF WHEAT COMMERCIALY; (2) THE EEC

HAS ANNOUNCED A 100,000 MT CONTRIBUTION TO ARRIVE BY JUNE; (3) THE UK AND SWEDEN HAVE ANNOUNCED CONTRIBUTIONS TOTALLING 75,000 MT; AND (4) THE US HAS ALLOCATED 350,000 MT. THUS, FEW BENGALIS ARE LIKELY TO PERCEIVE NOW THE THREAT OF STARVATION OVER THE NEXT SIX MONTHS AT THE LEAST. FOOD PRICES WILL DOUBTLESS REMAIN AN ISSUE, BUT THE ASSURANCE THAT SUPPLIES WILL CONTINUE TO FLOW THROUGH THE RATION SYSTEM WILL GREATLY BLUNT THE ISSUE FOR URBAN DWELLERS. THE MODEST SUCCESS OF THE RICE PROCUREMENT DRIVE, LAUNCHED NOVEMBER 15, WHICH BY MID-FEBRUARY HAD PROCURED SOME 114,000 TONS OF RICE, IS NOT LIKELY TO BE VIEWED POLITICALLY IN BANGLADESH AS MUCH OF A STEP TOWARD MUJIB'S FIRST GOAL OF SELF-SUFFICIENCY. OVER TIME THE PRICE AND AVAILABILITY OF FOOD IN URBAN MARKETS AND, GENERALLY, THROUGHOUT THE COUNTRY WILL BE THE FOREMOST TESTS OF THE EFFECTIVENESS OF THE NEW REGIME.

5. LOCAL SELF-RELIANCE PROGRAMS. THE GOVERNMENT HAS ANNOUNCED WITH SOME FANFARE A SERIES OF SELF-RELIANCE SCHEMES FOR VARIOUS DISTRICTS AS NOTED REFTEL (D), BUT TO OUR KNOWLEDGE THERE HAS BEEN NO SPECIFIC PLANNING, NO REALLOCATION OF FUNDS TO SUPPORT SUCH INTENSIVE, INTEGRATED PROGRAMS, AND NO GEARING UP OF THE BUREAUCRACY IN THOSE DISTRICTS. A PLAN FOR INTENSIFIED FOOD, LIVESTOCK, AND FISHERIES PRODUCTION PROGRAMS IN 152 THANAS OF 18 DISTRICTS WAS REPORTED IN THE PRESS FEBRUARY 19, BUT THE EMPHASIS IN THE NEWS STORIES WAS ON OBTAINING NECESSARY FUNDING FROM THE IBRD, SWEDEN, CANADIANS, AND AUSTRALIANS WHO HAVE REPORTEDLY DEMONSTRATED "KEEN INTEREST", RATHER THAN ON THE BDG'S OWN EFFORTS.

6. JUTE PRICING POLICY. THIS ISSUE IS NOW BEFORE THE PRESIDENT (DACCA 0588). THERE ARE AT LEAST THREE COURSES
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OF ACTION OPEN: (1) DO NOTHING; (2) ANNOUNCE NOW A NEW, HIGHER JUTE SUPPORT (FLOOR) PRICE BUT WITHOUT ANY INDICATION OF HOW THE HIGHER PRICE WILL BE FINANCED WHEN THE JUTE IS BOUGHT NEXT SUMMER; (3) ANNOUNCE A SUPPORT PRICE AND A DECISION ON FINANCING, E.G., EXPORT SUBSIDY, DEVALUATION. TO AFFECT THE ACREAGE PLANTED, THE ANNOUNCEMENT MUST COME IMMEDIATELY. THE SECOND COURSE INVOLVES THE FEWEST HARDSHIPS, AND PROBABLY FEW IMMEDIATE POLITICAL RISKS. THE THIRD COURSE WOULD BE THE MOST DRAMATIC, WOULD GAIN DONOR SUPPORT, BUT WOULD CERTAINLY BE VERY SEVERELY CRITICIZED AT HOME AS FUELING INFLATION.

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

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C O N F I D E N T I A L SECTION 2 OF 2 DACCA 1020

7. ANTI-CORRUPTION CAMPAIGN. THIS INCLUDES CAMPAIGNS AGAINST SMUGGLING, HOARDING, USE OF FAKE RATION CARDS, AND BLACK MARKETEERING. WHILE WE HAVE SOME INDICATION THAT THE ANTI-SMUGGLING CAMPAIGN MAY HAVE BEEN FAIRLY EFFECTIVE, WITH MANY LARGER FARMERS REPORTEDLY HOLDING THEIR STOCKS HOPING FOR THE ARMY TO BE WITHDRAWN FROM THE BORDER, THE ANNOUNCEMENTS CONCERNING THE OTHER CAMPAIGNS HAVE LEFT MOST OBSERVERS

UNCONVINCED OF THEIR EFFECTIVENESS. THE PRESS ANNOUNCED ON FEBRUARY 19 THAT ALL MINISTERS, STATE MINISTERS, AND DEPUTY MINISTERS WOULD SUBMIT TO THE PRESIDENT STATEMENTS OF ASSETS AND PROPERTY. WHILE THIS MAY SIMPLY BE A CONFIDENCE-BUILDING TECHNIQUE, IT POSSIBLY HERALDS A SIMILAR REQUIREMENT FOR ALL GOVERNMENT SERVANTS. WITH THE EXCEPTION OF ASSIGNING HIS VIGILANCE BUREAU TO INVESTIGATE THE FREQUENT AND SUSPICIOUS JUTE WAREHOUSE FIRES, THE PRESIDENT HAS NOT TAKEN ANY NEW STEPS AGAINST CORRUPTION; ALTHOUGH PERIODIC FIRING OF A HANDFUL OF CIVIL SERVANTS CONTINUES SO ENDEMIC IS CORRUPTION AT

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ALL LEVELS THAT ONLY THE MOST STRINGENT GUIDELINES FOR CONDUCTING THE GOVERNMENT'S BUSINESS AND THE MOST RIGOROUS ENFORCEMENT, STARTING AT THE TOP, WOULD EITHER CURB THE ABUSE OR RESTORE THE CONFIDENCE OF THE PUBLIC, MANY MEMBERS OF WHICH PERSONALLY EXPERIENCE THE INEQUITIES OF THE SYSTEM DAILY. INDEED, ONE SENIOR BDG OFFICIAL HAS FREQUENTLY RHETORICALLY ASKED OF MISSION OFFICERS WHY HE SHOULD GO ON WORKING FOR "THOSE CROOKS".

8. NEW DIRECTION TO ECONOMIC POLICY. THE WORLD BANK'S SEPTEMBER 1974 REPORT RECOMMENDED AN ALTERNATE DEVELOPMENT STRATEGY FOR BANGLADESH AND MANY DONORS AT THE OCTOBER BANGLADESH AID GROUP MEETING ACCEPTED THE BANK'S FINDINGS AND SUPPORTED SUCH A SET OF RECOMMENDED NEW POLICIES. THE NEXT AID GROUP MEETING IS SCHEDULED FOR EARLY JUNE 1975. SOME COMBINATION OF DECISIONS IN FACT GIVING A NEW DIRECTION TO BDG ECONOMIC POLICY WOULD GREATLY HELP ENSURE CONTINUED GENEROUS DONOR SUPPORT FOR BANGLADESH IN FY-76 AND COULD HAVE A FAVORABLE POLITICAL IMPACT AT HOME. HOWEVER, APART FROM AN EXTREMELY WELCOME (TO DONORS) EMPHASIS IN PUBLIC STATEMENTS ON THE NEED FOR EFFECTIVE POPULATION CONTROL, AND THE JUTE PRICE ISSUE DISCUSSED ABOVE, THERE ARE ONLY REPORTS THAT SUCH COHERENT POLICY DECISIONS ARE UNDER CONSIDERATION NOW. ALTHOUGH THE FIVE-YEAR PLAN IS SUPPOSEDLY BEING REWORKED IN THE PRESIDENT'S OFFICE, IT DOES NOT APPEAR THAT CURRENT RE-PLANNING IS AT ALL COMPARABLE TO THE COMPREHENSIVE EFFORT WHICH WENT INTO DEVELOPING THE FIRST PLAN IN 1973.

9. THE ADMINISTRATION OF GOVERNMENT. DESPITE TY MINISTERIAL EXHORTATIONS (PARA 2 ABOVE), THERE IS NO EVIDENCE THAT THE INDIVIDUAL MINISTRIES HAVE APPRECIABLY CHANGED THEIR METHODS OF OPERATION WITH THE NEW SYSTEM, NOR--WITH THE EXCEPTION OF PLANS TO REVAMP THE EDUCATIONAL SYSTEM--ARE THERE ANY REPORTS COMING OUT OF THE MINISTRIES YET THAT CHANGES ARE BEING CONTEMPLATED. ONE SENIOR CIVIL SERVANT WELL KNOWN TO THE EMBASSY DESCRIBES TO ALMOST EVERYONE THE BECALMED STATE OF THE BUREAUCRACY WHILE IT IS AWAITING FURTHER INDICATIONS OF PRESIDENT'S INTENTIONS. CONCURRENTLY WE HEAR THAT
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LEADERSHIP IS STILL FAILING TO UTILIZE EXPERIENCED BUSINESSMEN OR OTHER INDIVIDUALS EITHER TOO CLOSELY ASSOCIATED WITH "PAKISTAN DAYS" OR INSUFFICIENTLY IDENTIFIED WITH AWAMI LEAGUE. THE MINISTERS HAVE BEEN CONCENTRATING UPON TAKING THE MESSAGE OF THE "SECOND REVOLUTION" TO

THE COUNTRY, ADDRESSING AWAMI LEAGUE PARTY WORKERS, CIVIL SERVANTS, AND THE PUBLIC IN VARIOUS DISTRICTS. THIS HAS BEEN ESSENTIALLY A POLITICAL ACTIVITY AND, INDEED, THERE IS EVERY INDICATION THAT PRESIDENT MUJIB AND HIS ADVISORS AT PRESENT ARE CONCERNED ALMOST EXCLUSIVELY WITH REORDERING THE POLITICAL SYSTEM OF THE COUNTRY. THE NEW NATIONAL PARTY WAS ANNOUNCED FEBRUARY 24 AND ALL THE RUMORS AND SPECULATION DEAL WITH FURTHER ASPECTS OF THE POLITICAL CHANGE: THE CREATION OF FRONTS IN VARIOUS FIELDS SUCH AS LABOR AND THE UNIVERSITIES, AND THE ESTABLISHMENT OF A SMALL CONTROLLED PRESS SECTOR. WITH THE PRESIDENT SEEMINGLY SO OCCUPIED WITH WHAT HE DOES SO WELL--POLITICAL MANEUVERING--IT IS NOT SURPRISING THAT NEW ECONOMIC DIRECTIONS HAVE YET TO TAKE SHAPE.

10. CONCLUSION. POSSIBLY THE ECONOMY AND ADMINISTRATION WILL RECEIVE THE ATTENTION SO DESPERATELY NEEDED AND SO VIGOROUSLY URGED BY NATIONAL AND INSTITUTIONAL DONORS, AFTER THE POLITICAL REALIGNMENTS ARE MADE. ON THE DOMESTIC SIDE, WITH LARGE-SCALE FOOD ARRIVALS ASSURED AT LEAST INTO NEXT SUMMER, PRESIDENT MUJIB HAS SOME SIX MONTHS BREATHING SPACE, AT THE LEAST, DURING WHICH TO DEMONSTRATE HIS GOVERNMENT'S ABILITY TO REDEEM THE ECONOMIC PROMISE OF THE "SECOND REVOLUTION." MOST FOREIGN DONORS, THOUGH, WILL BE READY TO JUDGE BDG'S ECONOMIC DEVELOPMENT POLICIES AND PERFORMANCE IN ABOUT THREE MONTHS, THAT IS, BY THE TIME OF THE JUNE MEETING OF THE BANGLADESH AID GROUP.
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